## STATE OF ILLINOIS SECRETARY OF STATE SECURITIES DEPARTMENT

IN THE MATTER OF: North American Pipeline Corporation,

and Patrick R. Beason, his/its partners.

officers and directors, agents, employees,

affiliates, successors and assigns.

NO. 0500182

)

## **TEMPORARY ORDER OF PROHIBITION**

TO RESPONDENTS: North American Pipeline Corporation

545 East John Carpenter Freeway

Suite 605

Irving, Texas 75062

Patrick R. Beason

545 East John Carpenter Freeway

Suite 605

Irving, Texas 75062

On information and belief, I, Jesse White, Secretary of State for the State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein find:

- 1. That Respondent North American Pipeline Corporation ("NAPC") is a business entity. Its last known address is 545 East John Carpenter Freeway, Suite 605, Irving, Texas 75062.
- 2. That Respondent Patrick R. Beason ("PB") was at all times relevant a principal officer of NAPC. His last known address is 545 East John Carpenter Freeway, Suite 605, Irving, Texas 75062.
- 3. That Respondents are in the business of engaging in the acquisition, development, production and marketing of crude oil and natural gas; and in connection therewith, offered for purchase working interests in oil and gas wells located in the State of Illinois (the "Working Interests"). The Working Interests offered by Respondents involved re-entry and well stimulation.

- 4. That the Working Interests are fractional undivided interests in oil or gas, or investment contracts, and therefore, "securities" as defined in Section 2.1 of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").
- 5. That in 2002 and 2004 Respondents obtained Illinois drilling permits and sold to investors Working Interests in the Illinois wells.

## **FRAUD**

- 6. That Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for ant person to engage in any transaction, practice or course of business in connection with the purchase or sale of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
- 7. That Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
- 8. That Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to employ any device, scheme, or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
- 9. That Respondents took funds from the investors and misrepresented that the investors' funds would be invested in drilling and distribution of oil and gas.
- 10. That Respondents, rather than using the investors' funds for drilling and distribution of oil and gas, used the funds for their own purposes.
- 11. That by virtue of the foregoing, Respondents have violated Sections 12.F, 12.G and 12.I of the Act.
- 12. That the aforementioned findings are based upon credible evidence.
- 13. That Section 11.F(2) of the Act provides, *inter alia*, that the Secretary of State may temporarily prohibit the offer or sale of securities by any person, without notice and prior hearing, if the Secretary of State shall deem it necessary to prevent an imminent violation of the Act or to prevent losses to investors that will occur as a result of prior violations of the Act.
- 14. That the entry of this Temporary Order prohibiting Respondents, or its agents, affiliates, successors and employees, from offering or selling securities in the State of Illinois is in the public interest and for the

protection of the investing public and is consistent with the purposes intended by the provisions of the Act.

NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act, Respondents North American Pipeline Corporation, and Patrick R. Beason, and their officers and directors, agents, employees, affiliates, successors and assigns are temporarily <u>PROHIBITED</u> from offering or selling securities in or from this State until the further Order of the Secretary of State.

NOTICE is hereby given that Respondent may request a hearing on this matter by transmitting such request in writing to the Director, Illinois Securities Department, 69 W Washington Street, Suite 1220, Chicago, Illinois 60602. Such request must be made within thirty (30) calendar days of the date of entry of the Temporary Order of Prohibition. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order and will extend the effectiveness of this Temporary Order for sixty days from the date the hearing request is received by the Department.

FAILURE BY ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALENDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION FINAL.

Dated: This That day of February 2007.

JESSE WHITE Secretary of State State of Illinois

Attorney for the Secretary of State: James J. Tierney Illinois Securities Department 69 W Washington Street, Suite 1220 Chicago, Illinois 60602 312-793-9650